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| **SESSION** | **MARCH 2025** |
| **PROGRAM** | **BACHELOR OF COMMERCE (B.COM)** |
| **SEMESTER** | **III** |
| **COURSE CODE & NAME** | **DCM2103 COST ACCOUNTING** |
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|  |  |

**Set – 1**

**Q1. a). Write down five differences between Financial Accounting and Cost Accounting.**

**b). Briefly explain the following:**

 **I. Job Costing**

 **II. Contract Costing**

**III. Operating Costing**

 **IV. Process Costing**

 **V. Unit or Single Output Costing**

**Ans 1.**

**Q1 (a). Five Differences Between Financial Accounting and Cost Accounting**

|  |  |  |
| --- | --- | --- |
| **Basis of Difference** | **Financial Accounting** | **Cost Accounting** |
| **Objective** | To record and report overall financial performance to external parties | To determine, control, and analyze costs for internal decision-making |
| **Users** | Mainly external users like shareholders, tax authorities, regulators | Mainly internal users like management and cost controllers |
| **Reporting Format** | Governed by statutory rules and standards like GAAP/IFRS | No specific format; depends on organizational needs |
| **Time Orientation** | Historical in nature – reports are prepared after the transactions | Focuses on present and future cost planning and control |

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**Q2. Prepare the store ledger using the information below by following the first-in-first-out (FIFO) method. Show the issue price of each material.**

|  |  |  |
| --- | --- | --- |
| **Date** | **Receipts** | **Issues** |
|  | **Quantity (Kg.)** | **Rate (Rs.)** | **Date** | **Quantity (Kg.)** |
| **3.2.2025** | **1,000** | **1.00** | **4.2.2025** | **500** |
| **5.2.2025** | **4,000** | **1.40** | **7.2.2025** | **3,000** |
| **10.2.2025** | **3,000** | **1.50** | **15.2.2025** | **2,000** |
| **20.2.2025** | **2,000** | **1.80** | **25.2.2025** | **3,000** |

**Ans 2.**

### ****FIFO Method in Cost Accounting****

The **First-In-First-Out (FIFO)** method is a widely used inventory valuation technique in cost accounting. Under this method, it is assumed that the **oldest inventory items are issued or sold first**, and the remaining inventory consists of the most recently purchased goods. This approach reflects the natural flow of inventory in many businesses, especially those dealing with perishable or time-sensitive items.

FIFO is particularly effective when inventory prices are rising. It ensures that **cost of goods**

**Q3. Find the wages of workers under the Halsey Plan and the Rowen Plan with the information given below:**

**Standard output in 10 hours: 120 units**

**Actual output in 10 hours: 132 units**

**Wage Rate: Rs. 15 per hour**

#### Ans 3.

Incentive plans like the Halsey and Rowen systems are used to reward workers for completing tasks in less time than the standard time. These plans offer a base wage plus a bonus for time saved, encouraging higher productivity.

### 1. Halsey Premium Plan

#### Formula:

$$Total Earnings=\left(Time Taken×Hourly Rate\right)+\left(50\%×Time Saved×Hourly Rate\right)$$

### 2. Rowen Premium Plan

#### Formula:

$$Total Earnings=Time Taken×Hourly Rate$$

**Set – 2**

**Q4. Define the term ‘Overhead’. Give the classification of overhead and explain fixed, variable, and semi-variable overhead in detail.**

**Ans 4.**

**Definition of Overhead**

In cost accounting, overhead refers to the indirect costs incurred during the production of goods or services that cannot be directly traced to a specific product, job, or department. These costs are necessary for overall business operations but are not directly involved in the production process.

Examples include rent, salaries of administrative staff, electricity, depreciation, and maintenance

**Q5. Abhay Bros. accepted a contract for the construction of a building for Rs. 10,00,000.**

**The Contractee agreed to pay 90% of the work certified; as certified by the architect. During the first year, the amount spent was as follows:**

**Particulars Rs. Particulars Rs.**

**Material 1,20,000 Plant at site 20,000**

**Labour 1,50,000 Material at site 5,000**

**Plant issued 30,000 Work certified 4,00,000**

**Other expenses 90,000 Work uncertified 15,000**

**Prepare contract account in the books of Abhay Bros.**

**Also, show the amount of profit that can be transferred reasonably to the P&L A/c.**

### Ans 5.

### Theory: Contract Costing

Contract costing is used when a large job (like building construction) takes significant time and cost. The profit is not recognized all at once but is transferred partially to the Profit & Loss Account depending on the stage of completion of the contract.

### Given:

* **Contract Price** = ₹10,00,000
* **Work Certified** = ₹4,00,000
* **Work Uncertified** = ₹15,000

**Q6. A chemical product passes through three distinct processes to completion. During the month ended August 2019. 500 units were produced. The cost accounts show the following information:**

|  |  |  |  |
| --- | --- | --- | --- |
| **Process** | **A** | **B**  | **C**  |
|  |  |  |  |
| **Material (600 units)** | **3,000** | **1,500** | **1,000** |
| **Labour ( Rs)** | **2,500** | **2,000** | **2,500** |
| **Direct Expenses ( In Rs)** | **50** | **100** | **900** |
| **Cost of Packing (in Rs)** |  | **2,060** | **-** |
| **Output (units)** | **550** | **530** | **500** |

**The indirect expenses for the period were Rs 1,400. The by-product of process B was sold for Rs. 185, and the residue of process C was sold for Rs. 75.**

**Prepare the process account showing total cost and cost per bottle of finished stock.**

**Ans 6.**

Process costing is used when a product passes through multiple stages (processes) and is mass-produced. Costs are accumulated for each process, and the cost per unit is calculated by dividing total cost by output units. Any by-product or scrap/residue sale is deducted from total cost.

### Given

| **Particulars** | Process A | Process B | Process C |
| --- | --- | --- | --- |
| Material (600 units) | ₹3,000 | ₹1,500 | ₹1,000 |
| Labour | ₹2,500 | ₹2,000 | ₹2,500 |
| Direct Expenses | ₹50 | ₹100 | ₹900 |